

ASSEMBLY BILL

No. 1817

Introduced by Assembly Member Takasugi

February 11, 1998

An act to amend Sections 1570.7, 1572, 1572.9, 1575.9, 1576, 1585.2, 1585.5, 1588.2, and 1588.7 of, to amend and renumber Section 1589.5 of, and to repeal Section 1589 of, the Health and Safety Code, and to amend Sections 14525, 14526, 14530, 14550, 14552.2, 14555, 14571, 14575, 14577, and 14585 of the Welfare and Institutions Code, relating to adult care services.

LEGISLATIVE COUNSEL'S DIGEST

AB 1817, as introduced, Takasugi. Adult day health care.

Existing law, the California Adult Day Health Care Act, governs the provision of adult day health care.

Under existing law, certain administrative responsibilities under this act were transferred from the State Department of Health Services to the California Department of Aging.

This bill would specify that the authority, functions, and responsibility for the administration of the adult day health care program by the California Department of Aging and the State Department of Health Services shall be defined in an interagency agreement between the two departments that specifies how the departments will work together.

Existing law requires that each application for a new adult day health care center license or renewal submitted to the State Department of Health Services be accompanied by an annual fee of \$517.

This bill would, instead, require that each application for a new or renewal license submitted to that department be accompanied by an annual fee, as determined by the department.

Existing law requires the State Department of Health Services to conduct a grants-in-aid program to assist in the establishment of new adult day health care centers and the stabilization of existing centers that meet specified requirements.

Under existing law, the grant amount available for a single project is limited to \$50,000.

This bill would eliminate this limitation.

Existing law provides that any older person meeting specified requirements shall be eligible for adult day health care services.

This bill would, instead, provide that any adult meeting these eligibility requirements shall be eligible for these services.

Existing law requires adult day health care centers to have written procedures for dealing with emergency situations, which are required to include specified items.

This bill would, in addition, require these written procedures to include the use of a local 911 emergency response system.

Existing law provides that if an adult day health care center licensee also provides adult day care, adult day social care, or Alzheimer's day care resource center services, the license shall be the only license required to provide these additional services.

This bill would require the department to evaluate these additional services for quality of care and compliance with program requirements, concurrent with inspections of the adult day health care facility, using a single source survey.

The bill would also require the department and the California Department of Aging to jointly adopt regulations for the provision of different levels of care under the single adult day health care license.

Existing law requires that payment for adult day health care services to Medi-Cal recipients shall be made for services provided during the preceding month.



This bill would eliminate the requirement that payment be for services provided during the preceding month.

Existing law requires adult day health care centers receiving reimbursement for the provision of services to Medi-Cal recipients to submit annual cost reports to the State Department of Health Services no later than 3 months after the close of the facility's fiscal year.

This bill would, instead, require these reports to be submitted no later than 5 months after the close of the licensee's fiscal year.

Existing law requires that subcontracts between an adult day health care center and a subcontractor be kept on file with the department.

This bill would, instead, require these subcontracts to be kept on file and be available at the center.

This bill would make other technical and conforming changes.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1570.7 of the Health and Safety
2 Code is amended to read:
3 1570.7. As used in this chapter:
4 (a) "Adult day health care" means an organized day
5 program of therapeutic, social, and health activities and
6 services provided pursuant to this chapter to elderly
7 persons with functional impairments, either physical or
8 mental, for the purpose of restoring or maintaining
9 optimal capacity for self-care. Provided on a short-term
10 basis, adult day health care serves as a transition from a
11 health facility or home health program to personal
12 independence. Provided on a long-term basis, it serves as
13 an option to institutionalization in long-term health care
14 facilities, when 24-hour skilled nursing care is not
15 medically necessary or viewed as desirable by the
16 recipient or his or her family.

1 (b) “Adult day health center” or “adult day health
2 care center” means a licensed and certified facility which
3 provides adult day health care.

4 (c) “Elderly” or “older person” means a person 55
5 years of age or older, but also includes other persons who
6 are chronically ill or impaired and who would benefit
7 from adult day health care.

8 (d) ~~“Individualized~~ “*Individual* plan of care” means a
9 plan designed to provide recipients of adult health care
10 with appropriate treatment in accordance with the
11 assessed needs of each individual.

12 (e) “License” means a basic permit to operate an adult
13 day health center. With respect to a health facility
14 licensed pursuant to Chapter 2 (commencing with
15 Section 1250), “license” means a special permit, as
16 defined by Section 1251.5, empowering the health facility
17 to provide adult day health care services.

18 (f) “Maintenance program” means procedures and
19 exercises that are provided to a participant, pursuant to
20 Section 1580, in order to generally maintain existing
21 function. These procedures and exercises are planned by
22 a licensed or certified therapist and are provided by a
23 person who has been trained by a licensed or certified
24 therapist and who is directly supervised by a nurse or by
25 a licensed or certified therapist.

26 (g) “Planning council” or “council” means an adult
27 day health care planning council established pursuant to
28 Section 1572.5.

29 (h) “Restorative therapy” means physical,
30 occupational, and speech therapy, and psychiatric and
31 psychological services, that are planned and provided by
32 a licensed or certified therapist. The therapy and services
33 may also be provided by an assistant or aide under the
34 appropriate supervision of a licensed therapist, as
35 determined by the licensed therapist. The therapy and
36 services are provided to restore function, when there is
37 an expectation that the condition will improve
38 significantly in a reasonable period of time, as determined
39 by the multidisciplinary assessment team.



1 (i) ~~“State review committee” or “committee”~~
2 “Committee” means the Long-Term Care Committee
3 established pursuant to Section 1572.

4 (j) “Department” or “state department” means the
5 Department of Aging or the State Department of Health
6 Services as specified in the interagency agreement
7 between the two departments.

8 SEC. 2. Section 1572 of the Health and Safety Code is
9 amended to read:

10 1572. ~~To the extent provided for under Section 9316~~
11 ~~of the Welfare and Institutions Code, the~~ *The* functions
12 and duties of the ~~state department~~ *State Department of*
13 *Health Services* provided for under this chapter shall be
14 performed by the *California* Department of Aging
15 commencing on the date ~~the~~ *those* functions are
16 transferred from the *State* Department of Health
17 Services to the *California* Department of Aging. These
18 functions shall be transferred when the Department of
19 Aging develops an implementation plan clearly defining
20 the authority, functions, and responsibility of the
21 Department of Aging, and signs an interagency
22 agreement with the state department to specify how the
23 departments shall work together in areas of mutual
24 concern. ~~The authority, functions, and responsibility for~~
25 ~~the administration of the adult day health care program~~
26 ~~by the California Department of Aging and the State~~
27 ~~Department of Health Services shall be defined in an~~
28 ~~interagency agreement between the two departments~~
29 ~~that specifies how the departments will work together.~~

30 The Health and Welfare Agency shall develop a plan by
31 July 1, 1988, for streamlining the certification and
32 licensing process for adult day health care.

33 The interagency agreement shall specify that the
34 *California* Department of Aging is designated by the state
35 department as the agency responsible for community
36 long-term care programs. At a minimum, the interagency
37 agreement shall clarify each department’s
38 responsibilities on issues involving licensure and
39 certification of adult day health care providers, payment
40 of adult day health care claims, prior authorization of

1 services, promulgation of regulations, and development
2 of adult day health care Medi-Cal rates. The interagency
3 agreement shall also specify that as of January 1, 1988, the
4 State Department of Health Services shall delegate to the
5 *California* Department of Aging the responsibility of
6 performing the financial and cost report audits and the
7 resolution of audit appeals which are necessary to ensure
8 program integrity. As provided for in Section 19994.10 of
9 the Government Code, the personnel resources and
10 funding, equivalent to one personnel year used to
11 perform the audit responsibilities shall be transferred to
12 the *California* Department of Aging. This agreement
13 shall also include provisions whereby the state
14 department and the *California* Department of Aging
15 shall collaborate in the development and implementation
16 of health programs and services for older persons and
17 functionally impaired adults.

18 ~~To the extent necessary for implementation of Section~~
19 ~~9316 of the Welfare and Institutions Code, as~~ As used in
20 this chapter, “director” shall refer to the Director of the
21 *California* Department of Aging *or the Director of the*
22 *State Department of Health Services as specified in the*
23 *interagency agreement* and “state department” shall
24 refer to the *California* Department of Aging. A
25 Long-Term Care Committee is hereby established in the
26 *California* Department of Aging. The committee shall
27 include, but not be limited to, a member of the California
28 Commission on Aging, who shall be a member of the
29 Long-Term Care Committee of the commission, a
30 representative of the *California* Association for Adult Day
31 ~~Care~~ Services, a representative of the California
32 Association of Area Agencies on Aging, a representative
33 of the California Conference of Local Health Officers, a
34 member of a local adult day health care planning council,
35 nonprofit representatives and professionals with
36 expertise in Alzheimer’s disease or a disease of a related
37 disorder, a member of the California Coalition of
38 Independent Living Centers, and representatives from
39 other appropriate state departments, including the State
40 Department of Health Services, the State Department of

1 Social Services, the State Department of Mental Health,
2 the State Department of Developmental Services and the
3 State Department of Rehabilitation, as deemed
4 appropriate by the Director of the *California*
5 Department of Aging. At least one member shall be a
6 person over 60 years of age. The committee shall function
7 as an advisory body to the *California* Department of
8 Aging and advise the Director of the *California*
9 Department of Aging regarding development of
10 community-based long-term care programs.

11 This function shall also include advice to the Director
12 of the *California* Department of Aging for
13 recommendations to the State Department of Health
14 Services on licensure, Medi-Cal reimbursement, and
15 utilization control issues.

16 The committee shall be responsible for the reviewing
17 of new programs under the jurisdiction of the
18 department.

19 The committee shall assist the Director of the
20 *California* Department of Aging in the development of
21 procedures and guidelines for new contracts or grants, as
22 well as review and make recommendations on applicants.
23 The committee shall take into consideration the
24 desirability of coordinating and utilizing existing
25 resources, avoidance of duplication of services and
26 inefficient operations, and locational preferences with
27 respect to accessibility and availability to the
28 economically disadvantaged older person.

29 Additionally, the functions of the committee shall
30 include all of the following:

31 (a) The committee shall review and make
32 recommendations on guidelines for adoption by the
33 Director of the *California* Department of Aging setting
34 forth principles for evaluation of community need for
35 adult day health care, which shall take into consideration
36 the desirability of coordinating and utilizing existing
37 resources, avoidance of duplication of services and
38 inefficient operations, and locational preferences with
39 respect to accessibility and availability to the
40 economically disadvantaged older person.

(b) The committee shall review county plans submitted pursuant to Section 1572.9. Such county plans shall be approved if consistent with the guidelines adopted by the director pursuant to subdivision (a).

(c) The committee shall review and make recommendations to the Director of the *California* Department of Aging concerning individual proposals for startup funds and for original licensure of proposed adult day health care centers. The Director of the *California* Department of Aging shall make recommendations regarding licensure to the Licensing and Certification Division in the State Department of Health Services. This review may include onsite inspections by the committee, or a special subcommittee thereof, for the purpose of evaluating a proposed provider or its facility. The basis of this review shall be the approved county plan and an evaluation of the ability of the applicant to provide adult day health care in accordance with the requirements of this chapter and regulations adopted hereunder. A public hearing on each individual proposal for an adult day health care center may be held by the department in conjunction with the local adult day health care council in the county to be served. A hearing shall be held if requested by a local adult day health care council. In order to provide the greatest public input, the hearing should preferably be held in the service area to be served.

SEC. 3. Section 1572.9 of the Health and Safety Code is amended to read:

1572.9. Each planning council approved by the director as meeting the compositional requirements of Section 1572.5 shall adopt an adult day health plan for the county or counties represented by the council. The plan shall be consistent with the state guidelines adopted pursuant to subdivision (a) of Section 1572 and may include the council's recommendations respecting providers initially determined to be suitable for approval as adult day health centers. Such initial recommendations shall not bind the council with respect to future consideration of individual applications for licensure.

1 Prior to adopting the plan, the council shall hold a
2 hearing or hearings thereon at which public comment
3 shall be received and considered. The hearing or hearings
4 shall be noticed in advance in the manner prescribed by
5 ~~regulation~~ of the state department. The number of
6 hearings shall be determined by the state department in
7 consultation with the local planning council. The plan
8 shall become effective when approved by the state
9 review committee.

10 SEC. 4. Section 1575.9 of the Health and Safety Code
11 is amended to read:

12 1575.9. Each application for a new ~~license or renewal~~
13 ~~license~~ submitted to the state department shall be
14 accompanied by an annual fee of ~~five hundred seventeen~~
15 ~~dollars~~ (\$517), *as determined by the department*
16 *pursuant to Section 100445*. However, the director shall
17 waive the fee or reduce the fee to thirty dollars (\$30) for
18 a new or renewal license when the director determines
19 that there is the expectation that not less than 50 percent
20 of the participants during the period covered by the fee
21 will be Medi-Cal beneficiaries or would be at risk of
22 becoming Medi-Cal beneficiaries should institutional
23 long-term care be required.

24 SEC. 5. Section 1576 of the Health and Safety Code is
25 amended to read:

26 1576. All applications for a new license shall be
27 submitted to the ~~state review committee long-term care~~
28 ~~committee~~ and, *if applicable*, to the planning council for
29 the county in which the adult day health center will be
30 located, which shall review the application as provided in
31 subdivision (c) of Section 1572 and in Section 1573. The
32 director shall approve the application if ~~he determines it~~
33 ~~is~~ *it is determined to be* consistent with the *existing*
34 county plan, ~~that~~ no substantial basis for denial of the
35 license exists under Section 1575.7, and the applicant has
36 met all the requirements for licensure set forth in this
37 chapter and regulations adopted hereunder. Otherwise
38 the director shall deny issuance of the license.

39 SEC. 6. Section 1585.2 of the Health and Safety Code
40 is amended to read:

1 1585.2. Any operator of a health facility, clinic, or
2 community care facility licensed to provide adult day
3 health care under this chapter shall provide such adult
4 day health care as an independent program which is
5 located in a separate, freestanding facility or in a distinct
6 portion of the health facility, clinic, or community care
7 facility.

8 ~~The State Department of Health Services and the State~~
9 ~~Department of Social Services shall together explore the~~
10 ~~feasibility of a dual licensure process for combined adult~~
11 ~~day health care and social day care centers. A report shall~~
12 ~~be submitted to the Legislature regarding the feasibility~~
13 ~~of a single survey process. The State Department of~~
14 ~~Health Services shall have the primary responsibility for~~
15 ~~the development of this report.~~

16 SEC. 7. Section 1585.5 of the Health and Safety Code
17 is amended to read:

18 1585.5. Adult day health centers shall provide services
19 to each—~~recipient~~ *participant* pursuant to an
20 ~~individualized individual~~ plan of care designed to
21 maintain or restore each ~~recipient's~~ *participant's* optimal
22 capacity for self-care.

23 SEC. 8. Section 1588.2 of the Health and Safety Code
24 is amended to read:

25 1588.2. Eligibility for grants pursuant to this article
26 shall be limited to any public or private nonprofit agency.
27 ~~The grant amount available for a single project shall not~~
28 ~~exceed fifty thousand dollars (\$50,000).~~ As a condition of
29 making a grant, the director shall require the applicant
30 to match not less than 20 percent of the amount granted.
31 The required match may be cash or in-kind contributions,
32 or a combination of both. In-kind contributions may
33 include, but shall not be limited to, staff and volunteer
34 services.

35 SEC. 9. Section 1588.7 of the Health and Safety Code
36 is amended to read:

37 1588.7. (a) The state department shall adopt specific
38 guidelines for the establishment of grant-supported
39 activities, including criteria for evaluation of each activity
40 and monitoring to assure compliance with grant

1 conditions and applicable regulations of the state
2 department. The guidelines shall be developed in
3 consultation with the Long-Term Care Committee.
4 Funds shall not be awarded until the proposal receives
5 favorable recommendation from the local adult day
6 health care planning council, as *if* established pursuant to
7 Section 1572.5, and is approved by the state department.

8 (b) The state department shall develop a contract
9 with each selected project.

10 SEC. 10. Section 1589 of the Health and Safety Code
11 is repealed.

12 ~~1589. The sum of three hundred fifty thousand dollars~~
13 ~~(\$350,000) is hereby appropriated, without regard to~~
14 ~~fiscal year, from the General Fund to the State~~
15 ~~Department of Health Services to provide grants, and to~~
16 ~~defray administrative expenses incurred, pursuant to this~~
17 ~~article.~~

18 SEC. 11. Section 1589.5 of the Health and Safety Code
19 is amended and renumbered to read:

20 ~~1589.5.~~

21 ~~1589. (a) One million dollars (\$1,000,000) is hereby~~
22 ~~appropriated, without regard to fiscal year, from the~~
23 ~~General Fund to the Department of Aging to provide~~
24 ~~grants and to defray state administrative expenses~~
25 ~~incurred pursuant to this article.~~

26 ~~(b) The amount of one million five hundred thousand~~
27 ~~dollars (\$1,500,000) is hereby appropriated without~~
28 ~~regard to fiscal year, from the General Fund to the~~
29 ~~Department of Aging for the purposes prescribed by~~
30 ~~subdivision (a). This sum is in addition to any~~
31 ~~unexpended portion of the one million dollars~~
32 ~~(\$1,000,000) appropriated by subdivision (a).~~

33 ~~(c) State administrative costs on grants issued~~
34 ~~pursuant to this article shall not exceed 10 percent of the~~
35 ~~amount of the grants.~~

36 SEC. 12. Section 14525 of the Welfare and Institutions
37 Code is amended to read:

38 ~~14525. Any older person~~ *adult* eligible for benefits
39 under Chapter 7 (commencing with Section 14000) shall

1 be eligible for adult day health care services if that person
2 meets any one of the following criteria:

3 (a) The person is at the point of discharge from a
4 general acute care hospital or other acute care facility
5 and, except for the availability of an adult day health care
6 program, would be placed in a long-term care institution.

7 (b) The person is residing in the community, but is in
8 danger of institutionalization, and his or her disabilities
9 and level of functioning are such that without
10 intervention that placement would likely occur.

11 (c) The person is a resident of a nursing facility or
12 other long-term care facility, but the department
13 determines that institutional placement is unnecessary
14 and the person is an appropriate candidate for adult day
15 health care.

16 (d) The person is a resident of an intermediate care
17 facility for the developmentally disabled-habilitative, and
18 his or her disabilities and level of functioning are such that
19 without supplemental intervention through adult day
20 health care, placement to a more costly level of care
21 would be likely to occur. The department shall establish
22 an appropriate reimbursement rate for intermediate care
23 facility for the developmentally disabled-habilitative
24 clients to ensure that there is no duplicate payment for
25 services.

26 SEC. 13. Section 14526 of the Welfare and Institutions
27 Code is amended to read:

28 14526. Participation in an adult day health care
29 program shall require *prior* authorization by the
30 department. The authorization request shall be initiated
31 by the provider and shall include the results of the
32 assessment screening conducted by the provider's
33 multidisciplinary team and the resulting individualized
34 plan of care. Participation shall begin upon application by
35 the prospective participant or upon referral from
36 community or health agencies, physician, hospital,
37 family, or friends of a potential participant.

38 The adult day health care provider shall provide
39 services only to those participants living within its service
40 area, as determined by the department consistent with



1 the county plan adopted pursuant to Section 1572.9 of the
2 Health and Safety Code; provided, that, under special
3 circumstances in which an adult day health care provider
4 meets a special need or affinity of a particular individual
5 residing outside the provider's service area, the provider
6 may accept such individual as a participant, conditioned
7 upon limiting reimbursable transportation costs to such
8 costs which are incurred solely within the provider's
9 service area.

10 SEC. 14. Section 14530 of the Welfare and Institutions
11 Code is amended to read:

12 14530. ~~Individualized~~ *Individual* plans of care and
13 individual monthly service reports shall be submitted to
14 the department. Each provider shall supply a written
15 statement to the participant explaining what services will
16 be provided and specifying the scheduled days of
17 attendance. Such statement, which shall be known as the
18 participation agreement, shall be signed by the
19 participant and retained in the participant's file.

20 SEC. 15. Section 14550 of the Welfare and Institutions
21 Code is amended to read:

22 14550. Adult day health *care* centers shall offer, and
23 shall provide directly on the premises, at least the
24 following services:

25 (a) Rehabilitation services, including the following:

26 (1) Occupational therapy as an adjunct to treatment
27 designed to restore impaired function of patients with
28 physical or mental limitations.

29 (2) Physical therapy appropriate to meet the needs of
30 the patient.

31 (3) Speech therapy for participants with speech or
32 language disorders.

33 (b) Medical services supervised by either the
34 participant's personal physician or a staff physician, or
35 both, which emphasize prevention treatment,
36 rehabilitation, and continuity of care and also provide for
37 maintenance of adequate medical records. To the extent
38 otherwise permitted by law, medical services may be
39 provided by nurse practitioners, as defined in Section
40 2835 of the Business and Professions Code, operating

1 within the existing scope of practice, or under
2 standardized procedures pursuant to Section 2725 of the
3 Business and Professions Code, or by registered nurses
4 practicing under standardized procedures pursuant to
5 Section 2725 of the Business and Professions Code.

6 (c) Nursing services, including the following:

7 (1) Nursing services rendered by a professional
8 nursing staff, who periodically evaluate the particular
9 nursing needs of each participant and provide the care
10 and treatment that is indicated.

11 (2) Self-care services oriented toward activities of
12 daily living and personal hygiene, such as toileting,
13 bathing, and grooming.

14 (d) Nutrition services, including the following:

15 (1) The program shall provide a minimum of one meal
16 per day which is of suitable quality and quantity as to
17 supply at least one-third of the daily nutritional
18 requirement. Additionally, special diets and
19 supplemental feedings shall be available if indicated.

20 (2) Dietary counseling and nutrition education for the
21 participant and his or her family shall be a required
22 adjunct of such service. Dietary counseling and nutrition
23 education may be provided by a professional registered
24 nurse, unless the participant is receiving a special diet
25 prescribed by a physician, or a nurse determines that the
26 services of a registered dietician are necessary.

27 (e) Psychiatric or psychological services which
28 include consultation and individual assessment by a
29 psychiatrist, clinical psychologist, or a psychiatric social
30 worker, when indicated, and group or individual
31 treatment for persons with diagnosed mental, emotional,
32 or behavioral problems.

33 (f) Social work services to participants and their
34 families to help with personal, family, and adjustment
35 problems that interfere with the effectiveness of
36 treatment.

37 (g) Planned recreational and social activities suited to
38 the needs of the participants and designed to encourage
39 physical exercise, to prevent deterioration, and to
40 stimulate social interaction.

(h) Transportation service for participants, when needed, to and from their homes utilizing specially equipped vehicles to accommodate participants with severe physical disabilities that limit their mobility.

(i) Written procedures for dealing with emergency situations. ~~Such~~ These written procedures shall include ~~the~~ all of the following:

(1) *The use of a local 911 emergency response system.*

(2) *The name and telephone number of a physician on call, written call.*

(3) *Written arrangements with a nearby hospital for inpatient and emergency room service, and provision service.*

(4) *Provision for ambulance transportation.*

SEC. 16. Section 14552.2 of the Welfare and Institutions Code is amended to read:

14552.2. (a) Notwithstanding subdivisions (b) and (c) of Section 1570.7 of the Health and Safety Code or any other provision of law, if an adult day health care center licensee also provides adult day care, adult day social care, or Alzheimer's day care resource center services, the adult day health care license shall be the only license required to provide these additional services. Costs shall be allocated among the programs in accordance with generally accepted accounting practices.

(b) *The department shall evaluate the adult day care, adult day social care, or Alzheimer's day care resource center services provided for in subdivision (a) for quality of care and compliance with program requirements, concurrent with inspections of the adult day health care facility, using a single survey process.*

(c) *The department and the California Department of Aging shall jointly develop and adopt regulations pursuant to Section 1580 of the Health and Safety Code for the provision of different levels of care under the single adult day health care license.*

SEC. 17. Section 14555 of the Welfare and Institutions Code is amended to read:

14555. Each adult day health care provider shall establish a grievance procedure under which participants

1 may submit their grievances. Such procedure shall be
2 approved by the department prior to the approval of the
3 certification. The department shall establish standards for
4 such procedures to insure adequate consideration and
5 rectification of participant grievances. A provider shall
6 make written findings of fact in the case of each grievance
7 processed, a copy of which shall be transmitted to the
8 participant. If the *Medi-Cal* participant has an unresolved
9 grievance, the fair hearing provided in Chapter 7
10 (commencing with Section 10950) of Part 2 of this
11 division shall be available to resolve all grievances
12 regarding care and administration by the adult day health
13 care provider. The findings and recommendations of the
14 department, based on the decision of the hearing officer,
15 shall be binding upon the adult day health care provider.

16 SEC. 18. Section 14571 of the Welfare and Institutions
17 Code is amended to read:

18 14571. The State Department of Health Services, in
19 consultation with the *California* Association of Adult Day
20 Services, shall develop a rate methodology. The
21 methodology shall take into consideration all allowable
22 costs associated with providing adult day health care
23 services. Once a methodology has been approved by the
24 department, it shall be the basis of future annual rate
25 reviews.

26 Payment shall be for services provided ~~during the~~
27 ~~preceding month~~ in accordance with an approved
28 ~~individualized individual~~ plan of care. Billing shall be
29 submitted directly to the department. Additionally, the
30 department shall establish a reasonable rate of
31 reimbursement for the initial assessment.

32 Nothing in this section shall preclude the department
33 from entering into specific prospective budgeting and
34 reimbursement agreements with providers.

35 SEC. 19. Section 14575 of the Welfare and Institutions
36 Code is amended to read:

37 14575. Each adult day health care provider shall
38 maintain a uniform accounting and reporting system as
39 developed by the department, in consultation with the
40 provider. The department shall implement a uniform

1 cost accounting system and train providers in this system
 2 by July 1, 1987. The Department of Aging, in coordination
 3 with the department may approve an alternative cost
 4 accounting system where the provider demonstrates the
 5 ability to report comparable and reliable data. The
 6 provider shall submit annual cost reports to the
 7 department no later than ~~three~~ *five* months after the
 8 close of the ~~facility's~~ *licensee's* fiscal year. The report shall
 9 be submitted in the format prescribed by the state. Each
 10 facility shall maintain, for a period of three years
 11 following the submission of annual cost reports, financial
 12 and statistical records of the period covered by the cost
 13 reports which are accurate and in sufficient detail to
 14 substantiate the cost data reported. These records shall be
 15 made available to state or federal representatives upon
 16 request. The department may request a financial review
 17 performed by an independent certified public
 18 accountant as part of the provider's annual *cost* report. All
 19 certified financial statements shall be filed with the
 20 department within a period no later than three months
 21 after the department's request. The department may
 22 require a limited or complete certified public accountant
 23 audit when the monitoring activities carried out pursuant
 24 to Section 14573 reveal significant financial management
 25 deficiencies.

26 SEC. 20. Section 14577 of the Welfare and Institutions
 27 Code is amended to read:

28 14577. All subcontracts for services reimbursable
 29 under this chapter shall be entered into pursuant to
 30 regulations of the department. All subcontracts shall be
 31 in writing, and a copy shall be transmitted to the
 32 department for approval prior to taking effect. Each
 33 subcontract submitted ~~by~~ *to* the department for approval
 34 shall contain the amount of compensation or other
 35 consideration which the subcontractor will receive under
 36 the terms of the subcontract with the adult day health
 37 care provider. However, this section shall not apply to
 38 employment contracts of salaried employees of an adult
 39 day health care licensee.

1 All subcontracts to provide health care benefits,
2 including emergency services, shall include a
3 specification that services will be provided to participants
4 to meet the needs of the participants based upon the
5 plans of care. All subcontracts to provide any of the basic
6 services specified in Section 14550 through
7 subcontractors, shall meet all of the qualifications
8 required by, or pursuant to, this chapter as appropriate
9 for the services which the subcontractors are required to
10 perform.

11 Each subcontract shall require that the subcontractor
12 make all of its books and records pertaining to the goods
13 or services furnished under the terms of the subcontract
14 available for inspection, examination, or copying by the
15 department during normal working hours at the
16 subcontractor's principal place of business, or at such
17 other place in the state as the department shall designate.
18 Subcontracts between an adult day health care provider
19 and a subcontractor shall be public records and shall be
20 kept on file ~~with the department~~ *and be available at the*
21 *center.* The names of the officers and stockholders of the
22 subcontractor shall also be kept on file *and be available as*
23 *public records by the department at the center.*

24 SEC. 21. Section 14585 of the Welfare and Institutions
25 Code is amended to read:

26 14585. For purposes of this article, "state officer or
27 employee" means a Member of Congress representing
28 the State of California; a Member of the Legislature; a
29 secretary of a state agency and those members of the
30 secretary's staff who hold policymaking positions; those
31 members of the Governor's staff who hold policymaking
32 positions; an administrative aide or committee consultant
33 of the Legislature; the appointive or civil service
34 employee of the highest class or grade in each
35 department, system, program, section, or other
36 administrative subdivision of the ~~State Department of~~
37 ~~Health Services~~ *department and the California*
38 *Department of Aging*, as defined in regulations adopted
39 by ~~the department~~ *those departments*; any other
40 employee in the ~~State Department of Health Services~~

1 *department and the California Department of Aging* who
2 has any responsibility for the negotiation and
3 development, or management of Medi-Cal contracts of
4 an adult day health care center certified under the
5 provisions of this chapter. The director shall adopt
6 regulations further delineating the class of employees
7 covered by this section.

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